

FAR EASTERN ECONOMIC REVIEW

FINANCE, TRADE & INDUSTRY

Vol. II.

Hongkong, January 29th, 1947.

No. 5.

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Shanghai International Settlement Implementation of the Provision of the Treaty of 1943

It is now four years since the United States of America and the United Kingdom by treaties signed on the same day, January 11th 1943, relinquished their extra-territorial rights in China and all their rights relating to the system of Treaty Ports. They decided to end the nearly century old international administration of the Settlements at Shanghai and to transfer their assets and liabilities to the Chinese Government. In words that are identical in the two treaties both the American and British Governments agreed to "cooperate with the Government of the Republic of China for the reaching of any necessary agreements with the other Governments concerned for the transfer to the Government of the Republic of China of the administration and control of the International Settlement at Shanghai and Amoy, including the official assets and the official obligations of those Settlements, it being mutually understood that the Government of the Republic of China in taking over administration and control of those Settlements will make provision for the assumption and discharge of the official obligations of those Settlements and for the recognition and protection of all legitimate rights therein".

The Chinese Government has since the surrender of Japan in 1945 taken over the assets as well as the administration and control of the Settlements, and recently has appointed a "Commission for the Liquidation of the Official Assets and Official Obligations of the former International Settlement and French Concession of Shanghai". The Commission consists of the Mayor, Mr. K. C. Wu, as Chairman, Mr. T. K. Ho as Secretary General and at least eight Chinese members, together with two Chinese, one British, one American, one Swiss, one French and one Netherlands subject as advisers. The Commission is divided into three sub-committees, the first to deal with the obligations and liabilities to the staff of the former Shanghai Municipal Council, the second to deal with the assets and the obligations and liabilities of the Council other than to the staff, and the third to deal with the obligations and liabilities of the former French Concession.

Although the Chinese Government has admitted single representatives of American, British, French and other interests as a minority of its members, the fact remains that the Commission was appointed by the Chinese Government to inquire into its own obligations and liabilities under the Treaty. It is one of the unfortunate faults and deficiencies of the Treaty which in the case of both the American and the British version

bears the imprint of undue haste that no provision was made for the appointment of an international body truly representative of all the interests involved to arrange and supervise the transfer of the Settlements as going concerns, and to ascertain and to ensure the full discharge of their obligations and liabilities. In ordinary commercial circles it is not usual either for liabilities to be assigned to a new debtor without the consent of the creditor or for the new debtor to be allowed freedom to determine or to discharge his own liabilities. Notwithstanding the unilateral appointment of the Commission—which is not the fault of China, but a result of the default of the Treaty Powers—the responsibility for seeing that the terms of the Treaties are carried out rests squarely on the American, British and other contracting powers.

The scope of this article will be limited to the position of the former Shanghai Municipal Council of the International Settlement of Shanghai. The foreign powers which after the Treaty of Nanking in 1842 acquired the right for their nationals to live and trade and buy land on a small area outside the city of Shanghai and to be subject to their own laws found it necessary in 1854 owing to unexpected growth of the Settlements and great influx of Chinese to merge their individual consular police rights and to weld the diverse elements of the cosmopolite Settlements into one administrative whole, and by mutual agreement and the sanction of the competent Chinese authorities a representative Municipal Council was formed as a corporate body with an independent legal status and capable of owning property, of employing its own police and administrative servants, of suing and being sued, and with a substantial right of self government, including powers of taxation for municipal purposes. In the course of ninety years the Settlement grew to be one of the best administered and lowest taxed municipalities in the world. It developed an established civil service which had an enviable record for efficiency and integrity in the Orient. It had assets of great and increasing value in the form of extensive areas of land, public and administrative buildings, including up-to-date and modern incinerators, abattoir, gaols, markets, hospitals, nursing homes and schools, wharves and jetties, stocks, stores and plant, rights and interests in public utilities and other corporate property and investments which greatly exceeded all its obligations and liabilities.

The assets of the Council were the property of the corporate body held on behalf of the residents of the Settlement who paid their rates and taxes. They were pledged as security for municipal loans, and for the super-annuation and pension funds of the Council's employees. They were not the property of the American, British or Chinese Government or of the combined Treaty Powers. In accepting the transfer of these assets the Chinese Government bound itself to the Treaty Powers to discharge all the obligations and liabilities of the Settlement. The creditors of the Council including the debenture holders and staff have not only a moral claim against the Chinese Government, but also a legal claim under the Chinese Civil Code which provides that although they were not a party to the agreement they have a right to the performance of obligations undertaken to the beneficiaries under its terms.

What are the responsibilities of the American, British and other Treaty Powers? It does not seem clear from its official designation whether the Commission appointed by the Chinese Government is concerned with the whole of its undertaking under the Treaties. The wording of these treaties is material and goes far beyond the liquidation of the official obligations and liabilities of the Settlement. The Chinese Government has undertaken

- (i) to make provision for the assumption of the official obligations and liabilities of the Settlement;
- (ii) to discharge these obligations and liabilities;
- (iii) to make provision for the recognition and protection of all legitimate rights therein.

The use of both the words "obligations" and "liabilities" means that the Chinese Government has undertaken not only to pay money on the breach of any express or implied agreement made by the Shanghai Municipal Council, but to continue to perform all such obligations as have not yet been broken. It was an obligation of the Council to continue the employment of its staff according to the terms of service; it was also obliged to maintain unimpaired the security for the debentures. Both obligations have already been broken through the actions of the powers concerned under the treaties. There are many continuing obligations which it is hoped will not be broken. There is a continuing obligation, for example, to assist by grants in aid or otherwise non-municipal hospitals which, built with private funds, adapted themselves for the service of the community in reliance on the Council's financial cooperation. The General Hospital in 1917 at the request of the Council extended its building to accommodate indigent patients. A generous donor,

who is happily still alive, built the magnificent Country Hospital for the service of the community on the understanding that the Council would assist and contribute to its maintenance while leaving the hospital as a private trust. Schools for the education of foreign as well as of Chinese children had been built and some at least partially endowed on the understanding that the Council recognized its own share of the responsibility for the education of the children of the Settlement by contributing to their maintenance. These are official obligations which are to be assumed and discharged.

The term "recognition and protection of all legitimate rights" is capable of a very wide connotation. At its lowest it must include the recognition and protection of all the agreements entered into by the Council including the franchise agreements of the public utility companies and the restoration or maintenance of all property including rights in land and riparian rights which formerly received the legitimate protection of the Council. They include the recognition and protection of the rights of debenture holders and of the employees of the Council. They must also mean that the trading, cultural, medical and other legitimate establishments which represent a century of labour and expenditure on the reliance of Council protection should be allowed to continue so long as they pursue their legitimate functions to be protected by the Chinese Government. It might even be agreed that one of the official obligations of the former International Settlement was the right of ratepayers—foreign and Chinese—to have a voice in the administration of their own affairs and representation on the administrative body.

The most urgent obligations and liabilities which demand special consideration are those to the staff of the former Council. The employees were members of a civil service and, subject to good conduct and efficient work, had every reason to expect to make the service their career. They included a large number of professional and technical men and women of high qualifications and great experience. The transfer of the administration has resulted in the loss of their employment, to the transfer of the security for their pensions, superannuation funds and their pay, and to the breach of their terms of service. So far as the British members of the staff were concerned it is believed that they were urged by the British Government to remain at their posts on the occupation of Shanghai by the Japanese in December 1941. Many would have left before the war to join the forces, but the city and its teeming population could not be left to the mercy of the enemy without an adequate staff and an efficient police force. As a result of their remaining on duty they were eventually interned by the Japanese and suffered the hardships of captivity and on release were left to fend for themselves to face an uncertain future. The British Government, it is true, has generously recognized a measure of at least moral responsibility and has been paying to its nationals who have returned to the United Kingdom the bulk of the pensions due to them, and has granted allowances to others against their superannuation funds pending the payment of the amounts due by the Chinese Government. There is still, however, a great contrast between the treatment of the members of the Colonial Service in Hongkong and Singapore and of those who were deprived of their careers by the action of the British Government in cooperation with the other treaty powers in Shanghai.

The superannuation and pension funds of most of the foreign employees according to the express terms of their contracts and conditions of service were payable in foreign currencies. The exchange and other adjustments to provide for these payments were fully covered by the Council's general assets and reserves. The obligations in respect of these funds remains to be discharged in foreign currency only. Some of the allied members of the Council staff, who were discharged after the Japanese occupation of Shanghai received a discharge allowance or bonus, some did not. All such grants as were given are valueless to-day as they were paid in C.R.B. currency.

The question of the Council's obligations to the debenture holders is also one of very real concern to those former residents of the Settlement and others who subscribed to the Council loans and have been relying on the Council's assets to protect their investments and income. The debentures were regarded as trust securities. There is only one sterling loan which was issued in 1939 and appears in the Balance Sheet for 1941 as amounting to £427,000 at 3½%. This loan together with the interest is payable in sterling and was fully secured by a debenture on the assets and revenue of the Council and ranked in priority to all previous debentures of the Council. The remaining loans were also secured on the Council's assets and revenue but were expressed to be payable in Chinese currency. The holders of these debentures are entitled to special consideration both morally and legally. The loans were made to the Council for the improvement and development of its capital assets; their proceeds to-day are represented in the assets which the Chinese Government have taken over. These loans therefore, come very clearly within the designation of 'loans for consumption' in Chinese law that is, loans which enable the borrower to invest money in profitable enterprises or, it may be said, for the enhancement of the capital value of property. In the case of such loans, where the lender was precluded from exercising his initiative to demand repayment of the money before a fixed date, as for instance in the case of fixed deposits and debentures, the Chinese Courts have in several recent judgments acted according to the mandate given them under Articles 12 & 13 of the Supplementary Act of Civil Procedure after Rehabilitation. These articles enjoin the Court to order a variation in the terms agreed for the performance of a contract where by reason of a change in the circumstances arising out of the contract beyond the control of either party strict performance of the contract would cause hardship. It should be noted that in such cases the Court has no discretion as to making an order for variation but only in the degree of modification. It may be argued that the assets and liabilities taken over by the Chinese Government are still subject to the charge created for the security of the loans. The debenture holders, however, could formerly enforce their rights through the Court of Consuls but now they have been deprived of their legal remedies by the action of the treaty powers concerned, and must therefore rely on the substitution thereof of the interposition of their respective governments for the performance of the just obligations due to them.

The principle of Chinese law which enjoins the Court in certain circumstances to vary the terms of payment applies *a fortiori* to the payment of arrears of salaries and allowances payable

in Chinese currency where the employees have through the delay of their employers who have had the benefit of their labour been deprived of their money which has in the meantime depreciated in purchasing value.

Nearly eighteen months have elapsed since the surrender of Japan, and the settlement of the claims of the former Municipal servants has become not only one of legal and moral duty, but an urgent humanitarian problem. These men and women, European, Chinese and Indian and others are entitled to their pay and benefits, not only up to the termination of their service but in the case of long term employees throughout the period of war, together with compensation and allowances on retirement. As a rough estimate the sum required to pay the amounts due to the staff from their superannuation fund and to retire them on fair terms would perhaps be about £3,000,000 plus a diminishing annual payment of about £100,000 for pensions. Whereas previously the obligations of the Council in respect of superannuation and pensions were secured by the Council and could be enforced against the assets and revenues of the Council, the former employees no longer have this backing, and it should be an obligation of the American and British Governments on behalf of their nationals, either to guarantee the payments due or to provide some enforceable security by arranging for the setting aside under a trust of a capital sum of say £1,500,000 for the purpose.

The difficulties and exceptional nature of the transaction are fully realised and no question is raised as to the inevitability or justice of the cession of the Settlement. But the legal and moral incidents of the act are not thereby affected. In abolishing the Council and the Settlement from existence and by overriding power assigning the obligations and liabilities to the Chinese Government, the Chinese, the American and British and the other Governments involved made themselves legally responsible to their respective nationals who suffered loss or damage through the transfer. They are at least morally bound to discharge their responsibility either by securing the full discharge of the obligations and liabilities of the Settlement by the Chinese Government or by discharging the onus themselves. It is also submitted that the Courts have jurisdiction to adjudicate upon the question of an arbitrary act affecting private rights whether or not it may have the appearance of an act of State.

The American and British Governments, however, by intervening by means of a Treaty with China have made the claims of their respective nationals their own. They have secured from the Chinese Government its solemn covenant under treaty that it will discharge its obligations and liabilities, to the beneficiaries. The nationals concerned, therefore, are entitled to rely with complete confidence upon their respective Governments to see that the treaty rights are carried out by such interposition as they think fit and not let their nationals fight their own battle. At the same time the agreement made by treaty with China does not absolve the American and British Governments from their own respective responsibilities to their nationals.

The official liabilities of the Shanghai Municipal Council as they were given in the Balance Sheet for the year 1941 were as follows:—

LIABILITIES		Chinese Dollars	Chinese Dollars	Chinese Dollars
MUNICIPAL LOANS:—				
Loan of 1926 at 6 per cent			6,713,286.71	
Loan of 1934 at 5 per cent			10,404,700.00	
Loan of 1936 at 5½ per cent			7,577,490.00	
Loan of 1937 at 5 per cent			9,000,000.00	
Loan of 1940 at 6 per cent			15,200,000.00	
Loan of 1941 at 6 per cent			9,000,000.00	
Sterling Loan of 1939 at 3½ per cent— £427,000			32,468,910.89	
				90,364,297.60
TEMPORARY LOAN:—				
Fixed Deposits				4,182,775.62
TRUST FUNDS:—				
Superannuation Fund—				
Local Currency	16,102,364.00			
Sterling £16,199.161	1,231,826.69			
U.S. Dollar, US\$1,733.08	32,815.72			
Yen 109,537.68	438,150.72			
Pension Fund		17,805,157.13		
		10,865,359.00		
			28,670,516.13	
General—				
Indian Deferred Pay		80,996.10		
Police Deferred Pay		39,380.92		
Russian Deferred Pay		20,179.49		
Russian Good Service Bonus		118,980.19		
Miscellaneous		3,165.43		
Fire Insurance Fund		591,175.86		
			853,877.99	
DEPOSIT ACCOUNTS:—				
Municipal Savings Bank		235,382.85		
Municipal Investment Bank		24,477.04		
Sundry Contractors		983,786.43		
Licences etc.		711,247.98		
			1,954,894.30	
SINKING FUNDS:—				
Municipal Loans				
Balance at December 31, 1940		3,725,882.66		
Add—Instalments for year in respect of the Loans of 1926, 1934 and 1937		393,113.31		
Sterling Loan, Exchange Contingencies		253,280.75		
Interest		186,294.13		
			4,558,570.85	
REDEMPTION RESERVE—LOAN of 1940—				
Balance as at December 31, 1940		1,066,666.67		
Add—Instalment due December 31, 1941 payment deferred		800,000.00		
			1,866,666.67	
INVESTMENT & EXCHANGE RESERVES ..				
GENERAL RESERVE		7,665,251.51		
LOAN SUSPENSE ACCOUNT		1,475,006.09		
SUNDRY CREDITORS		1,095,098.41		
			10,208,533.59	
SPECIAL RICE ACCOUNT—PRINCIPAL'S ACCOUNT:—				
Sundry Liabilities			1,228,956.62	
RICE OFFICE:—				
Sundry Liabilities			22,433,011.31	
Total			176,557,356.69	
GENERAL BALANCE				
			88,294,716.73	
			264,852,073.42	

Note:—The rates of exchange used for conversion of Assets and Liabilities other than Chinese Dollars are 3.5/32d.= Ch.\$1, U.S.\$5.9/32=Ch.\$100, HK\$21=Ch.\$100, Rupees 17½=Ch.\$100 and Yen 25=Ch.\$100.

Of the principal assets of the Council appearing in the same Balance Sheet and valued at C.N.\$264,852,073.42 the principal items were:—

	C.N.Dollars
DEVELOPMENT ACCOUNT ..	66,716,199.08
Expenditure incurred on existing bridges etc., and the acquisition of land for road purposes	
Land	44,119,197.41
Buildings (less depreciation) ..	61,693,242.69
Stock, stores and plant (less depreciation)	7,296,257.98
	179,824,897.16

All the assets were carried at their respective book values which were very considerably below their real market values. It may be mentioned that in the Final Report and Financial Statement of the Shanghai Municipal Council January—July 1943 (before the purported transfer of the Settlement to the puppet

government) it was recorded that a special Property Assessment Committee composed of independent experts had valued the assets listed above at more than seventy times their respective book values. At to-day's prices these assets would be found to have greatly increased in value in terms of foreign currency.

A study of the Council's accounts and of its actual wealth will reveal that its assets even after the vicissitudes of the war far exceed its listed and contingent liabilities, and that the property taken over by the Chinese Government as it is to-day is more than amply sufficient to discharge its obligations and liabilities. While it is material to bear in mind that these obligations and liabilities were assumed and are to be discharged by the Chinese Government and not by the new Municipal Government, it is well known that the new administration has inherited from the old Council considerable property including many lots of land acquired in the process of street widening and public improvements and otherwise which could be sold without necessarily interfering with the working of the municipality and would go far towards liquidating the debt. One is reminded by the recent sale of the

Palace Hotel for five and a half million Hongkong Dollars that land and buildings in Shanghai to-day command high prices in terms of foreign currency.

A matter of the greatest concern to the creditors of the Council is promptness of payment. The obligations and liabilities were incurred four years ago and the assets of the Council have been in the possession and control of the Chinese Government for nearly eighteen months, whilst the former employees of the Council have been throughout this time unpaid. Under the ordinary principles of law delay in the discharge of money obligations involves the payment of interest or other compensation and it is no more than ordinary justice that those who have been so long deprived of their just dues should be awarded a reasonable sum by way of interest for their forbearance. The Chinese Government has had the use of the assets and the creditors are entitled to interest on their money.

The Commission which is now sitting will undoubtedly receive all the facts and give them full consideration. The Chairman, Mayor K. C. Wu, commands the respect of all for his ability, impartiality and integrity and his unique experience of over fifteen years of mayoral duties in difficult times in China has given him an exceptional knowledge of municipal affairs. The public, however, have little knowledge of the issues involved, while the former employees of the Council and the debenture holders scattered all over the world have been waiting patiently with but little knowledge of what is being done to give them a long delayed satisfaction.

The difficulties of China's financial position are fully realised, but the amount involved in the discharge of these special obligations is comparatively small. China has secured the assets and unfettered control of one of the greatest cities of the world to whose prosperity the initiative, enterprise and administrative work of the former Council and its ratepayers have pre-eminently contributed. The discharge of the obligations of the Council is the first task which China has been called upon to perform after her emergence from the war as one of the world's great powers. We all confidently trust that she will discharge her bond with the same honour that has been traditionally associated with word of her traders.

Gold Imports & Exports

Gold imports during 1946 totalled approx. 90,000 taels (one tael equals 37.799 grams) valued at the Imports & Exports Department of Hongkong Government at HK\$20,197,000. Mexican gold coins, weighing about one tael each, valued \$14,445,000 and gold bars valued \$5,752,000. All gold originated in Mexico but \$7,333,000 worth of gold were shipped from U.S. where it was brought in bond for transhipment to Hongkong.

It is believed in informed bullion circles in the Colony that the total quantity of gold licensed by Hongkong Govt. for importation into the Colony may have amounted to about 120,000 taels. Consequently, a balance of about 30,000 taels appears to be still due and may be recorded here under January 1947 imports into the Colony.

Since end of August 1946 no import permits for gold were issued by the Dept. Supplies, Trade & Industry in conjunction with the Financial Secretary as it was felt that a sufficient quantity of gold imports had already been granted. Chinese authorities urged that Hongkong Govt. show understanding for the gold policy of China and cooperate with Central Bank of China and the Chinese Treasury which are the monopoly importers of gold into China.

Open Funds US\$

All gold from America was paid for from open US\$ funds in New York. These funds resulted partly from previous considerable credits held in New York prior to 1942, partly from export bills and partly from oversea Chinese remittances. These open funds in New York usually help financing non-essential imports into the Colony, and it is due to this money that many commodities are available here in large quantities which otherwise would not have been imported as the Exchange Control could not have allotted official exchange for such non-essential & luxury goods. Gold purchases in America tended to support largely the open market rate for US\$ (both T.T. and D/D) which development could not be judged beneficial from a trading point of view of Hongkong. A lower open funds rate would have enabled cheaper wholesale and retail prices of so-called unessential American commodities.

Gold for Macao

When Hongkong suspended gold import licenses and there appeared no prospect for resumption of such permits, furthermore it transpired that Chinese authorities had succeeded in obtaining Hongkong's support for their policy in respect to gold imports, a number of ingenious native bankers and bullion dealers approached the Government of Macao and obtained a very large number of permits for gold imports into the Portuguese Colony. (Compare our issue of Jan. 8, page 18). The market rumoured about extraordinary quantities of gold imports contemplated for shipment to Macao. A reliable estimate spoke of half a million taels of gold applied for by bankers and brokers which the Macao authorities (Department of Economic Services) finally licensed for importation. However, Hongkong Govt. licensed only about half of this quantity for transshipment to Macao. Owing to the impossibility of ocean going ships discharging cargo in the shallow waters of Macao harbour all foreign imports destined for Macao must be transhipped in Hongkong. Furthermore the Macao airfield has not been completed which also necessitates transshipment of airborne cargo via Kaitak, the Colony's airfield.

The large quantities of gold imports issued by the Macao Govt. have, as was to be expected, led to some sort of Chinese demarche in Lisbon which caused the temporary suspension of the issue of gold import licenses. The matter is at present under investigation by the Portuguese Govt.

The total quantity of gold from Mexico so far arrived in Macao is approx. 90,000 taels, valued at HK\$19,300,000. This first shipment, via Hongkong, arrived in Macao in December. One or two previous arrivals of gold in Macao were not recorded in Hongkong since these gold cargoes did not remain in transit in the Colony. Estimates vary about the actual quantity of gold licensed by Hongkong Govt. for transshipment to

Macao. The highest figure, probably given by the speculation a la baisse which hopes to depress gold prices by making the public believe that enormous imports are to be expected, was around 400,000 taels; it appears however quite safe to assume that at least 200,000 to 250,000 taels have been permitted to be transhipped via Hongkong to Macao.

Hongkong a "Treasure Island"

The crash of a chartered plane on Jan. 26, carrying gold to the Colony, destined for Macao, has transformed the island for a time into a modern edition of a "Treasure Island" as gold coins and bars were scattered over a wide area in the eastern section of Hongkong (Mt. Parker, Shauiwan area). The quantity of gold brought on the crashed plane was estimated to have been about 50 boxes. One box usually contains 1,000 Mexican gold coins, i.e. weighing 1,000 taels net. Some boxes or barrels sometime contain heavier loads (up to 2,000 taels). The total gold imports on the crashed plane (a Philippine Airlines Dakota) may have amounted to 50,000 taels valued at about HK\$10 million or US\$2 million (computed at the open funds average rate of HK\$5 to one US\$). The gross weight of the precious cargo was in excess of 5,000 lbs.

Another near-crash involved a plane of the same Philippine Air Line on Jan. 18; this plane carried about 25,000 taels of gold, valued at about HK\$5,000,000 or US\$1 million; however, according to another report the gold cargo amounted only to about 10,000 taels, valued at US\$450,000. The plane, after safe landing in Northern Luzon, went on with its journey to Hongkong, the destination of its flight.

Gold for Siam

Many bullion dealers were anxious to obtain transit permits from Hongkong Govt. for gold shipments to Bangkok. However, such applications were discouraged and finally arrangements were made by the ever ingenious gold dealers to ship and fly their cargo via Saigon into Siam.

Profits

In our issue of Jan. 22, page 29, a calculation was published which proved that profits made in the gold trade in the Far East are very large. As far as Hongkong is concerned, most importers who order gold abroad for their clients' accounts are American, British, French, Belgian and Chinese banks. Some prominent Chinese banks figured as principal consignees of the heavy gold imports into Macao. Many of the gold dealers and native bankers who ordered gold from Mexico were financed by the large commercial banks who charged interest at a higher than usual rate.

Following are gold imports and gold exports values for the year 1946:

IMPORTS & EXPORTS OF GOLD AS DECLARED DURING THE YEAR 1946

Gold Bars & Ingots		
Countries	Imports \$	Exports \$
China, North	—	4,243,700
Central America	5,752,100	—
Macao	—	19,300,050
Total	5,752,100	23,543,750

Gold Coins (Foreign)

Countries	Imports \$	Exports \$
Central America	7,112,511	—
U. S. A.	7,333,000	—
Total	14,445,511	—

Gold Leaf

Countries	Imports \$	Exports \$
Siam	—	560
Total	—	560

(WEIGHTS: 1 tael (leung) equals 87.799 grams, or 1.58 ozs. avdp.
1 oz. troy equals 31.1 grams; the difference in weight between the local tael and the ounce troy which is generally used in Shanghai amounts to approx. 30 percent.
12 taels equal one lb. avdp., or 0.45359 kilograms.)

Silver Trade of Hongkong

During 1946 practically no imports of silver were recorded in the Colony (a very small shipment of silver from Macao, valued HK\$35,000, was the only import item). Exports were considerable, totalling a value of HK\$30,968,000. Taken at the average silver price of 1946 the quantity of silver exported should have been in excess of 9 million troy ozs. Most of it (abt. 60 percent) was shipped to India, and abt. 40 percent went to London.

There have been considerable stocks of silver, in bars, dollars and subsidiary coins, held in Hongkong from before and during the war. The large quantity of silver exports during 1946, however, suggests that some imports have arrived here although no recording of such was possible. Silver bullion dealers usually point to the various sources of supply which, while not large in individual shipments, aggregate in the end sizeable amounts.

Following are silver exports and imports values for the year 1946:

IMPORTS & EXPORTS OF SILVER AS DECLARED DURING THE YEAR 1946

Silver Bars & Ingots		
Countries	Imports \$	Exports \$
United Kingdom	—	5,768,838
India	—	14,647,814
Malaya (British)	—	46,000
China, North	—	34,000
Macao	35,638	—
U.S.A.	—	45,000
Total	35,638	20,541,652

Silver Dollars

Countries	Imports \$	Exports \$
United Kingdom	—	721,554
India	—	1,260,000
Total	—	1,981,554

Silver Subsidiary Coins

Countries	Imports \$	Exports \$
United Kingdom	—	5,345,750
India	—	3,100,763
Total	—	8,446,513

Financial & Trade Notes

Japanese Shipments to Hongkong

At the beginning of February a second large cotton yarn shipment from Japan is due to arrive here bringing 5,500 bales (of 400 lbs) to the knitting & weaving mills of the Colony. The first shipment of Japanese yarn was reported in our Jan. 1 issue (Page 1). The price at which local mills obtain this yarn from Hongkong Govt. (Dept. S. T. & I.), the importer, is \$1,600 per bale of 20 counts yarn. The unofficial Chinese yarn price for 20's is around \$4,000.

Regular monthly cotton yarn shipments will arrive here as from March provided that current negotiations in Tokyo are concluded. It appears that no obstacle to a satisfactory mutual trading basis between Japan and Hongkong is expected, and trade with Japan will certainly develop during 1947 into a very important business of the Colony.

All exports of textiles, (woollen, rayon, mixed, cotton) and woollen & worsted yarns have been taken off the prohibited export list a few days ago. The textile export business of the Colony, promoted wisely and efficiently by S. T. & I. Dept., is now off to a flying start.

Local textile mills have all reason to look into the future with confidence and prepare for 100% operation. This development will have far-reaching repercussions on the local labour market and will, incidentally, also contribute to the solution of many of the local workers which were largely attributable to an unemployment problem (such as the hawkers). Hongkong-made cotton and other textile piece goods will regain prewar markets and replenish our foreign exchange resources. The South East Asiatic countries were, and will now continue to be, our good customers in the years before World War II. Chinese cotton yarn and piece goods exports are practically non-existent except for small quantities of smuggled goods.

Japanese shipments to Hongkong will comprise the following items, apart from cotton and rayon yarns: aluminium scrap, ginseng, copper wire and rods, bicycles and parts, agar agar, cigarette paper, glassware & pottery. On the other hand Hongkong shipments to Japan will comprise: kaoliang, matings (for wrapping of raw silk), food-stuffs, coal etc.

Gold Sales in Shanghai

Central Bank sales of gold both in the regular and the unofficial market continued very strong in January. During the first 3 weeks of January an estimated total of 60,000 troy ozs. was sold by the Bank at the prevailing market rates which fluctuated around CN\$400,000 per oz. (or at an average black market rate of US\$58 per oz.). In Tientsin, Canton and other major cities of China gold sales were reported as rather heavy and prices were invariably higher than in Shanghai. A peak price of CN\$520,000 per oz. was recorded in Tientsin during the days before Chinese New Year (Jan. 22). The demand for gold was particularly heavy on account of genuine buyers from the country (compare references in "Exchange Markets" elsewhere in this issue).

The Bank's gold policy has been severely criticised by Mr. Hung Jui-chao, Member of the Legislative Yuan, Nanking, who called the procedure "very speculative" at a Yuan meeting at the beginning of this year. His statement was given little prominence in the press of Shanghai but the gist of his opinions were circulated abroad.

Gold imports by China, according to official announcement, for 1946 amounted only to 397,000 ozs., valued at CN\$28.1 billion. In our issue of Dec. 4, page 9, we estimated the total imports of gold into China, according to Chinese Customs records, at 400,000 ozs. It is commonly believed that imports of gold by China, i.e. Central Bank and National Treasury, have been very substantial; gold was purchased in U.S. at the official U.S. Treasury price of US\$35 per oz. fine. The average sales prices of gold in the Shanghai goldsmith and open market amounted to approx. US\$55 per oz.; the profit realised by the Chinese Govt. from U.S. imported gold is estimated to have amounted to US\$17 to 20 per one oz.

Hongkong Gold Market

The embargo declared recently by the Bank of Mexico in respect to gold shipments abroad will affect local bullion circles. While imports were previously limited by Hongkong Govt. and import licenses are at present suspended both here and in Macao, bullion dealers were already investigating other routes and channels for effecting gold imports with final destination China. As elsewhere pointed out in this issue new gold imports into this and the Portuguese Colony are no longer possible to conduct.

The Mexican source, obviously having been overworked, has temporarily closed. Nevertheless there are still considerable stocks of Mexican gold coins and bars in U.S. waiting for shipment abroad or being "on consignment" in the vaults of New York and San Francisco bullion brokers.

The arrival of gold from London, earlier this month, has considerably excited the imagination of the local brokerdom with the result that ways and means are intensely explored as to the availability of gold from U.K. sources.

It is, of course, possible to buy gold in London but the price which brokers are constrained to charge amounts to £17.10.0 if gold is destined for Hongkong, and to £15.10.0 if destined for Near East countries. The official Bank of England sales price of £8.15.0 is of only academic interest. Gold exports from U.K., described as "fabricated gold", cannot be sold in China as the London unofficial export price approx. equals the current Shanghai open market price. There are some possibilities to purchase through London bullion brokers gold, fabricated, ornamental or otherwise, at much cheaper price but the sources are not easy to trace although the supposition is that such gold originates from the European Continent.

The next gold shipment to arrive in Hongkong is expected around the beginning of February aboard an American ship which will discharge bars and coins here for transshipment to Macao.

Tight US\$ Market

On Jan. 28, one day after resumption of Chinese business following extended Chinese New Year celebrations, the market for American bank notes, drafts and T.T. New York remittances, and importers in town were practically unable to cover their American commitments. Banknotes increased to HK\$4.90 and 4.95, drafts sold at HK\$4.98 to 5, and T.T. New York quoted somewhere between 5.07 to 5.15. Business was done only in small lots (US\$10,000 being regarded as very satisfactory). Gold importers covering exchange in the market were outbidding merchandise importers and offered much higher rates. Another contributory reason for the tightness in the esp. T.T. New York market was the delay in arrival of drafts, originating from overseas Chinese mostly in U.S., both from upcountry for collection in Hongkong and from U.S. remitters. The Chinese holidays were held responsible for the delays. Market estimates speak of rather large US\$ drafts expected to arrive here soon, however, the persistent demand from gold and other importers will support the rate for some time to come. After bullion importers have settled their accounts with local banks there should result a considerable easing of the position with a lowering of the rather inflated open funds rate of US\$.

Mr. D. F. Anderson

The Colony welcomes the arrival of Mr. D. F. Anderson, a Managing Director of Peninsular & Oriental Steam Navigation Co. and the British India Steam Navigation Co. Mr. Anderson will remain here for about a week.

Hongkong owes very much to the great head of the P. & O., Sir Thomas Sutherland, who was the head also of the Suez Canal and patron of half a hundred institutions, and who was largely responsible for the foundation of the Hongkong & Shanghai Banking Corp. and actually wrote out its original prospectus. Much of the development of the Colony as a commercial and shipping centre in the modern world was due to the initiative of the P. & O., the largest shipping enterprise of the world.

After a century of prominent association of the P. & O. with Hongkong the future of this Colony appears as more encouraging than ever representing as it does one of the leading centres of British shipping and of the P. & O. in particular.

Mr. G. E. Marden

One of Shanghai's leading financiers, shipbuilders and industrialists with considerable interests also in U.K. since 1943, Mr. G. E. Marden has established in Hongkong the head offices of his numerous companies. The following limited liability Marden-companies are now headquartered in Hongkong: Metal Industries of China, Paper Industries, Whangpoo Tug & Lighter Co., G. E. Marden & Co., China Shipbreakers, Lunghua Dock & Engineering Works, Oriental Steamship Co., Concordia Steamship Co., Sumner & Co., Oriental Mortgage & Finance Corp., Far Eastern Salvage Association, Elizabeth Ashley, Yangtze Finance Co.

As soon as Hongkong legislation regarding registration of China companies which during the war emigrated to U.K. or Australia has been completed, Mr. Marden will move the head offices of the following companies now registered in London to the Colony: Wheelock & Co. Ltd., Asia Navigation Ltd., and Shanghai Tug & Lighter Co. Ltd.

Mr. Marden has acquired a considerable interest in the firm of John D. Hutchison & Co. Ltd. of which he is a Director.

Hongkong Exchange Control

The Assistant Financial Secretary, Mr. T. V. N. Fortescue, who was in charge of exchange control matters in the Colony, will soon leave for Home in order to receive medical treatment.

For the past month Mr. H. R. J. Woulfe-Flanagan, assistant Superintendent of Imports & Exports Dept., took over the duties of Mr. Fortescue but has now been relieved by Mr. Albert Raymond who will temporarily assist the Financial Secretary (Mr. C. G. S. Follows) in matters of the Colony's Exchange Control.

Mr. Raymond is Chairman and a Director of a number of local public companies, and one of the leading financiers of Hongkong.

Hongkong & Shanghai Banking Corp.

The Bank has opened on 27th inst. its branch in Fochow. The Bank maintains 14 branch offices in China of which 10 have already resumed business and only 4 remain to be reopened. The four branch offices of the Bank awaiting resumption of business are in Chefoo, Dairen, Harbin and Mukden.

Mr. Chu Chang-sing

The General Joint Administration of the Chinese Government Banks, Nanking, has appointed Mr. Chu Chang-sing as Resident Commissioner in Hongkong. Mr. Chu's temporary office is located in Shell House, in the premises of the Chinese Postal Remittances & Savings Bank. After the return to Shanghai of Mr. Tsuyee Pei, Governor of Central Bank of China, who stayed in Hongkong from December 21, 1946 to January 9, 1947, it transpired that one of several objectives of Mr. Pei's visit to the Colony was the inauguration of a Chinese banking supervisory authority in Hongkong. In prewar days a local office of the Central Bank was located in the Bank of East Asia Building.

Australian Member of Parliament

Mr. S. M. Falstein, Australian M.P., Chairman of the Board of Directors of Far Eastern Exchange Pty. Ltd., is expected to arrive here in a few days time. Mr. Falstein will make a survey of conditions in Hongkong and China with a view to promote trade between Australia and the Far East.

British Member of Parliament

Mr. Walter Fletcher, British M.P., Chairman, Far Eastern Committee, British Conservative Party, stayed for 12 days in the Colony during the month of January where he investigated economic conditions. Mr. Fletcher is a director of the well-known local trading firm of Yu Tung Tai Ltd., and a member of the Board of the following companies: Hecht, Lewis & Kahn Ltd., London & New York, and Anglo-French Bendixsen Ltd., Singapore.

Caldbeck, Macgregor & Co. Ltd.

Mr. T. Addis Martin has been appointed a director of the company as from January 20, 1947. The Resident Director of the company is Mr. J. F. Macgregor.

Mr. W. R. McBain

The following China companies were transferred to the Hongkong Companies Register by the firm of Messrs. George McBain, Shanghai, General Agents:—

The Shanghai-Sumatra Rubber Estates Ltd., The Shanghai Loan & Investment Co. Ltd., The Shanghai Exploration & Development Co., Ltd., McBain Imports Ltd.

Mr. W. R. McBain, the principal partner of Messrs George McBain, has taken up residence in the Colony.

Mr. P. T. Sizov

The Hongkong branch manager of "Exportheb", Mr. P. T. Sizov, who left two weeks ago by BOAC plans for Singapore for the purpose of surveying Malayan markets with a view to purchase larger quantities of rubber, tin, etc., has been successful in obtaining a considerable amount of rubber. These purchases are the first ones which the Soviet Union has conducted in British Malaya. The development of trade between USSR and Singapore has now been initiated by the visit of Mr. Sizov.

Mr. Ellis Hayim

The arrival of Shanghai's principal share and financial broker, Mr. Ellis Hayim, owner of the firm of Benjamin & Potts, Shanghai was expected here during the Chinese New Year holidays. However, due to pressure of work Mr. Hayim's departure was delayed. It is expected that Mr. Hayim will soon open an office in Hongkong for transaction of share and general brokerage. Preparations have already been concluded.

John D. Hutchison & Co. Ltd.

The directors of the company as on January 21, 1947 are: Mr. P. S. Cassidy, managing director, Messrs. G. E. Marden, V. K. Song (also a director of a number of the Marden-companies), J. D. Clague, and Cheng Tin-sang. The new secretary of the company is Mr. T. A. Pearce.

Reuben Import Export Company

The well-known Shanghai trading firm of Sassoon S. Reuben & Co., which maintains branches in Bombay, Bagdad and Kobe, has established in Hongkong a trading company under the name of Reuben Import Export Co. which is under the management of Mr. Ellis S. Reuben. The New York branch of the company has recently been incorporated in U.S.

Elias & Co., Ltd.

Mr. R. J. R. ("Ronnie") Elias, a leading exchange broker of Shanghai, has recently established in Hongkong a bullion and metals brokerage firm under the name of Elias & Co. Ltd. Mr. Ronnie Elias has been transacting a number of large bullion deals.

Mr. A. Hillaly

Partner of the Shanghai Stock Exchange brokerage firm of Hillaly & David, Mr. Hillaly is now residing in the Colony and is expected to join the local Exchange.

Builders & Traders Ltd.

As a subsidiary firm of Woodcraft Works Ltd., Shanghai, in which Mr. E. F. Toeg owns a considerable interest, Builders & Traders Ltd. have recently established their head office in Hongkong. The firm is at present engaged in the import of timber but is expected to engage itself at a later date in local building and constructional business.

Pirnie, Lee & Co.

A joint American-Chinese trading company with head office in New York, Pirnie, Lee & Co., Fed. Inc. USA, have established branch offices in Hongkong and Canton. Mr. W. Bruce Pirnie is president, and Mr. Lee Chung-sang is vice-president of the new export-import company.

Eng Aun Tong

The famous "Tiger Balm Factory" of Hongkong which is managed by the "Tiger Balm King's" (Mr. Aw Boon Haw) son, Mr. Aw Hoe, has sent some time ago a purchasing representative Mr. H. K. Lee, to U.S. While in America Mr. Lee was interested to buy plastics, chemicals and industrial machinery. The New York correspondent of the "Tiger Balm Factory" is the Irving Trust Co., Wall St.

Stock & Share Business in Hongkong

Although Chinese holidays interfered with business last week the turnover was large and buyers were active. Prices again improved and a scarcity in scrip offering of many shares was noticeable.

Banks touched \$1,475, London register came up to £95.10.0, later dropping to £92 at closing of the week's session. Outport orders were responsible for strong price in Banks; however, some local transactions at peak prices were reported.

Unions changed hands as high as \$660, closing at 650. Cantons and HK Fires were steady at 350 and 250 respectively. Outport orders were noticeable.

Douglasses quoted very steady at \$200 buyers without any scrip offering. Union Waterboats were very scarce with buyers offering \$27 and even higher.

Wharves remained at around \$145 without much interest evinced by the public. Docks changed hands at 18½. The statement by the Directors regarding the Mollers transaction did not yet come out although the market expected it some time ago. China Providents sold at 14.50 to 14.75.

Hotels which are always one of the most active shares in the market registered a very large turnover; big blocks change hands daily. The outlook for this share favourite is still bullish. Lands went up to \$79 to 82 with buyers prevailing. Land debentures are well held without any sellers coming out for several months past. Humphreys changed hands at 18.75 with sellers asking for 19. Realities recorded a good turnover at 16.25 to 16½. Chinese Estates are unobtainable although attractive prices are offered by many buyers.

Utilities which enjoy special attention by the Chinese investors and speculators were very firm; Trams at 32, Star Ferries at 66, Lights, Old, 11.25, Electric firm at 34.75, with few sellers appearing; Macao Electric were obtainable at \$19 but buyers did not show up; this share does not figure much in local transactions apparently in consideration of the overdue settlement of the company's claims against the Macao Govt which so far hangs fire. Telephones, Old, after sales at 35 with buyers rose to 36½, with some business done at 37. Telephones, New, found buyers at 19 but small turnover reported.

Cements are very steady at 13½ but no transactions. Business of this company in future months is regarded in market circles as very promising. Ropes started at 9, buyers, changed hands at 9½ and 9¾, closing at the end of the week under review at 9.75.

Dairy Farms, another local favourite, was steady at 33½ after sales at 33.75. Watsons sold at 26, went down at the close of the session to 25½. Lane Crawfords changed hands at 23 with more buyers at this rate. The Chinese stores are very firm without attracting sellers at the quoted buying rates.

After Chinese New Year the market ruled firm and prices were steady. The expectation is generally that the rising tendency will last. New buyers have shown up in Hongkong and flight capital from Shanghai makes itself felt distinctly.

New Brokers

Mr. Lee Kim-bun, partner of Lee & Co., applied for a seat at the Hongkong Stock Exchange and is expected to be entered soon into the Register of the Members of the Hongkong Stock Exchange.

Transfer of Shares

Many shareholders are greatly inconvenienced in not being able to have their shares transferred into their name although permission has been granted by the Registrar of Companies for shares to be bought and sold and also to be transferred. There are still a number of companies who are unable to effect transfers owing to the fact that their registers are still not in order.

It is now 16 months that the Colony has returned to peaceful life and it is high time that some official explanation is made as to why such prolonged delay. Shareholders can expect that Directors of companies make a statement as regards the reasons for this unsatisfactory state of affairs. Wharves, Telephones, Dairy Farms and others with a good reputation for efficiency are lagging so far behind the other companies. Such well-

known companies like Electric, HK Land, Tram, Humphreys have long ago opened their books and put through transfers very quickly. Some of the companies show little courtesy when approached by shareholders as to the reasons for delay; perhaps some directors who are appointed by the shareholders to look after their interest and receive directors' fees might oblige the public by rectifying matters or assure of an early arrangement.

HONGKONG STOCK EXCHANGE

Quotations on 25th January, 1947.

Stock	Buyers	Sellers	Jan. 24	Last Sale Reported
H.K. Govt. Loans				
4% Loan	107	—	107	—
3½% Loan (1934)	102½	—	—	—
3½% Loan (1940)	102½	—	—	—
Banks				
H.K. Bank	—	—	1,475	1,475
H.K. Bank (Lon. Reg.)	—	—	£95½/92	—
Bank of East Asia	126	—	—	—
Insurances				
Canton Ins.	345	—	—	—
Union Ins.	650	660	650	—
China Underwriters	—	1	—	1
H.K. Fire Ins.	245	—	250	—
Shipping				
Douglasses	200	—	—	200
H.K. Steamboats	12	—	—	12
Indo. Chinas (Pref.)	—	—	—	120
Indo Chinas (Def.)	—	—	—	250
Shells (Bearer)	—	—	—	s/- 96/3
Union Waterboats	27	—	—	—
Docks, Wharves, Godowns, etc.				
H.K. & K. Wharves	145	—	140/145	—
H.K. Docks	18½	—	18½	—
Providents	14½	—	14½/14½	—
Mining				
Raub's	—	4.60	—	—
H.K. Mines	—	.03	—	—
Lands, Hotels & Bldgs.				
H. & S. Hotels	18.90	19½	18½/19	—
H.K. Lands	8½	83	82/79	—
H.K. Lands 4% Debentures	104	—	—	—
Humphreys	18½	19	18½	—
H.K. Realities	16½	—	16½/4	—
Chinese Estates	155	—	—	—
Public Utilities				
H.K. Tramways	31½	—	30/31½	—
Peak Trams (Old)	—	11	—	—
Peak Trams (New)	—	5	—	—
Star Ferries	66	—	66	—
Yaumati Ferries	—	22	—	22
China Lights (Old)	—	11½	11½	—
China Lights (New)	6½	—	—	—
H.K. Electric	34½	—	34½/33	—
Macao Electric	—	19	—	—
Telephones (Old)	36½	—	35/37	—
Telephones (New)	18½	—	18½	—
Industrials				
Canton Ices	1½	—	—	—
Cements	13½	14	—	—
H.K. Ropes	9½	—	9½	—
Stores, &c.				
Dairy Farms	33½	—	33/33½	—
Watsons	25½	—	25½/26	—
Lane, Crawford	23	—	—	—
Sinceres	5½	—	—	—
China Emporium	4½	—	—	—
Sun Co., Ltd.	2½	—	—	—
Kwong Sang	—	—	—	—
Hong	175	—	—	—
Wing On (H.K.)	72	—	—	—
Wm. Powell, Ltd.	—	3	—	—
Miscellaneous				
Entertainments	26	—	—	—
Constructions (Old)	—	—	—	4½
Vibro Piling	3	—	—	—
Marsman (H.K.)	s/- 9d.	—	—	—

Hongkong's Trade in 1946

Good Progress & Encouraging Outlook

Hongkong's foreign trade (merchandise only; not including treasure) in 1946 was the highest in the history of the Colony as far as values in HK\$ were concerned; the total trade aggregated \$1,700 million. Imports for the 12 months of 1946 amounted to \$933.4 million, exports to \$765.6 million; the unfavourable trade balance was \$167.8 million. (Detailed figures were published in our Jan. 22 issue).

For seven prewar years, 1931/37, imports and exports amounted to the following amounts:

Year	Imports (in millions of HK\$)	Exports
1931	\$737.7	\$541.9
1932	624	471.9
1933	500.9	403.1
1934	415.9	325.1
1935	365	271
1936	452.4	350.9
1937	617.1	467.3

Total for the seven year period: \$3,713 imports, \$2,831.2 exports.

The trade deficit of Hongkong for this period amounted to \$882 million, or \$125 million for the annual average. The seven year prewar average for imports amounted to \$525, and for exports to \$400 million. (Comparisons with the year 1939 will be found in our Jan. 22 issue).

Very Encouraging Trade Results

From these figures it appears that in 1946 about 80% more imports and about 90% more exports were handled by Hongkong than in the 7 year prewar period. However, the dollar value comparison does not convey a proper picture since the depreciation of the local dollar in terms of world market purchasing power has been considerable. Only the quantitative comparison of trade for the 7 year prewar period and the year 1946 would permit of a more accurate statement of the volume of the Colony's foreign trade. It is probable that Hongkong handled during 1946 about 50 to 60% of the average prewar trade volume; this result must be regarded as a very encouraging development of Hongkong's trade and exceeds expectations of early 1946.

The recovery of the Colony as a trading place and emporium was remarkably fast and Hongkong to-day is not far from its normal position particularly if one takes the average of the last 3 or 4 months of 1946 as basis for calculations. In this case imports, computed on a 12 months trading period from results recorded during the months September—December 1946, would amount to \$1,200 million, and exports to over \$1,000 million or over 30% more than actual 1946 trade returns. Judging trade figures on the basis of recent monthly trade returns it appears that Hongkong handled during the last few months of 1946 about 70% of the prewar (1931-1937) quantitative volume.

Unfavourable Trade Balance

Hongkong's unfavourable trade balance in 1946 aggregated \$167.8 million and the trade deficit with regard to China amounted to \$25.8 million. It seems that China's only active trade balance was with Hongkong. China's Customs returns do not correspond to the Hongkong Government (Imports & Exports Dept.) figures as considerable

quantities of goods entering and leaving China are not recorded by the Chinese Customs. From a Chinese trading point of view the Hongkong trade returns should make very encouraging reading.

Leading importing and exporting countries during 1946:

Total merchandise imports \$933.4, total exports \$765.6 million.

(In millions of HK\$)

Importing countries

China	327.2
British Empire	248.4
United States	119.5
Macao	78.5
British Malaya	69.2
French Indochina	59.1
India	55.4
United Kingdom	43.9
Australia	42.6
Siam	29.3

Exporting countries

China	301.4
British Empire	214.8
British Malaya	161.9
United States	83.7
Siam	45.9
Macao	33.5
French Indochina	32.2
India	21.8
Philippines	18
United Kingdom	16.5

Leading commodity imports and exports in 1946:

Imports

Foodstuffs	209
Sundries	155
Oils & fats	113.9
Piece goods	100.9
Chinese medicines	65.9
Paper & paperware	40.9
Metals	40
Live animals	32
Chemicals & drugs	28.3
Tobacco	25.3
Nuts & seeds	22
Building materials	20.9
Vehicles	15.2

Exports

Sundries	146
Oils & fats	142.9
Piece goods	128.8
Foodstuffs	116
Chinese medicines	60.0
Metals	39.7
Paper	31.5
Chemicals, drugs	22.7
Wearing apparel	18.7
Nuts & seeds	11.8
Hardware	8.4
Dyes & tanning materials	8.2

Comparison with the 7 year (1931/1937) prewar period:

Leading prewar importing countries in order of importance: China, British Empire, Japan, Netherlands East Indies, U.K., U.S., French Indochina, Siam, Germany.

Leading prewar exporting countries: China, British Empire, U.S., British Malaya, French Indochina, Japan, Siam, Macao, Netherlands East Indies, Philippines.

Leading prewar merchandise imports: Foodstuffs, sundries, piece goods, oils & fats, metals, Chinese medicines, fuels, paper.

Leading prewar merchandise exports: Foodstuffs, sundries, oils & fats, piece goods, metals, minerals & ores, Chinese medicines, wearing apparel, paper.

Treasure Trade

Total imports in 1946 amounted to \$20.2 millions practically all for gold from Mexico and U.S.

Exports of treasure totalled \$57.1 million, of which almost 31 million comprised silver shipments to U.K. and India, and \$19.3 gold shipments received from America in transit for Macao (during December 1946).

Imports & Exports of Treasure in the years 1936 and 1937 aggregated very large amounts. Gold (in bars and coins) imports in 1936 and 1937 amounted to \$3.6 and 11.4 million, exports to \$34 and \$13.5 million respectively. Silver imports in 1936-1937 amounted to \$46 and \$288 million respectively, while exports of silver (practically all in silver dollars and subsidiary coins) amounted to \$83 and \$355 million respectively.

December Trade of Hongkong

A review of December trade appeared already in our January 15th issue, page 25. Impressive during December was the growing passive trade balance of Hongkong with China: \$13.8 million in favour of China is, in view of the otherwise very passive trade of China, extraordinary indeed. On account of the heavy increase in Chinese exports to the Colony and a large drop in Hongkong's exports to China, the December trade deficit of Hongkong was the largest of all the months in 1946.

Continental Europe, for the first time since the end of World War II, figured conspicuously in the Hongkong trade returns. Total imports from Continental Europe (i.e. without U.K. and Russia) aggregated \$104 million or about 10% of the total import trade of the Colony. Norway, Belgium and Italy were the leading European suppliers. The growing industrial capacity of Europe, felt all over the world in increasing effect, has impressed local traders, and many businessmen again look to European countries as welcome sources for industrial goods.

Japan was also conspicuous as a source of supply for consumer goods but the trade returns of Government do not show figures since these imports come under the category of "government sponsored cargo" which are excluded from being listed in the Import & Export Dept. returns.

Total December 1946 imports amounted to \$113.4 and exports to \$72.4 million.

Leading importing and exporting countries in December 1946 were:

Importing countries Millions of \$	
China	38.8
British Empire	37.2
India	12
U.S. & U.K. each	9.5
Australia	8.8
Macao	8.7

Exporting countries Millions of \$	
China	25
British Empire	15.5
United States	12.4
British Malaya	10.2
Philippines	4.9
Macao	4.1

The import trend is obvious; industrial goods in increasing quantity from Europe, U.S. and Australia.

Exports from Hongkong to its Asiatic neighbours and to U.S. are being further developed.

In 1947 Japanese industrial exports will make themselves increasingly felt in Hongkong and the whole Far East.

Total Values of Imports & Exports Under Main Groups

BY COUNTRIES FOR THE YEAR 1946

UNITED KINGDOM		
Articles	Imports	Exports
Building Materials ...	923,854	\$ —
Chemicals & Drugs ...	7,657,887	357,328
Chinese Medicines ...	36,400	2,732,686
Dyeing & Tanning Materials ...	2,255,652	374,718
Foodstuffs & Provisions ...	509,193	54,161
Fuels ...	39,318	—
Hardware ...	730,846	10,620
Liquors, Intoxicating ...	905,743	133
Machinery & Engines ...	496,341	—
Manures ...	518,485	—
Metals ...	3,713,306	34,019
Nuts & Seeds ...	—	171,508
Oils & Fats ...	4,128,324	8,574,152
Paints ...	914,791	—
Paper & Paperware ...	1,389,840	—
Piece Goods & Textiles ...	5,329,976	29,816
Railway Materials ...	5,521	—
Tobacco ...	4,204,723	—
Vehicles ...	4,356,848	—
Wearing Apparel ...	491,522	860
Sundries ...	5,317,159	4,247,943
Merchandise Total	43,925,729	16,587,944
Treasure	8,320	11,836,142
Grand Total	43,934,049	28,424,086

AUSTRALIA		
Articles	Imports	Exports
Animals, Live ...	332,158	—
Building Materials ...	1,195,276	—
Chemicals & Drugs ...	2,625,399	87,046
Chinese Medicines ...	15,600	86,324
Dyeing & Tanning Materials ...	322,785	—
Foodstuffs & Provisions ...	11,907,546	163,771
Fuels ...	31,052	—
Hardware ...	435,817	28
Liquors, Intoxicating ...	818,817	43,485
Machinery & Engines ...	207,518	—
Metals ...	1,396,541	—
Minerals & Ores ...	—	62,457
Nuts & Seeds ...	5,988	6,394
Oils & Fats ...	665,960	1,424,701
Paints ...	147,677	—
Paper & Paperware ...	710,266	825
Piece Goods & Textiles ...	11,010,279	200,187
Vehicles ...	137,874	—
Wearing Apparel ...	1,474,629	7,357
Sundries ...	9,190,770	2,095,972
Total	42,631,952	4,178,547

BURMA		
Articles	Imports	Exports
Chemicals & Drugs ...	—	9,875
Chinese Medicines ...	—	27,644
Dyeing & Tanning Materials ...	—	1,450
Foodstuffs & Provisions ...	—	737,756
Hardware ...	—	749
Metals ...	—	1,240
Nuts & Seeds ...	—	6,716
Oils & Fats ...	—	2,750
Paints ...	—	89,242
Paper & Paperware ...	—	241,198
Piece Goods & Textiles ...	—	22,877
Wearing Apparel ...	—	180,729
Sundries ...	—	616,242
Total	—	1,938,468

CANADA		
Articles	Imports	Exports
Building Materials ...	687,260	—
Chemicals & Drugs ...	377,562	—
Chinese Medicines ...	53,744	310,391
Dyeing & Tanning Materials ...	785	—
Foodstuffs & Provisions ...	5,572,936	306,270
Hardware ...	19,732	82,720
Liquors, Intoxicating ...	358,500	1,600
Machinery & Engines ...	117,500	—
Manures ...	17,440	—
Metals ...	111,724	—
Nuts & Seeds ...	325,242	3,171
Oils & Fats ...	164,207	—
Paints ...	1,524,365	895
Paper & Paperware ...	58,028	224
Piece Goods & Textiles ...	261,548	1,610
Tobacco ...	844,393	—
Vehicles ...	54,535	6,605
Wearing Apparel ...	683,162	126,736
Sundries ...	—	—
Total	11,232,663	840,222

CEYLON		
Articles	Imports	Exports
Chemicals & Drugs ...	1,280	90,333
Chinese Medicines ...	6,750	31,404
Foodstuffs & Provisions ...	53,167	169,490
Hardware ...	24,803	31,569
Nuts & Seeds ...	36,000	4,407
Piece Goods & Textiles ...	—	137,940
Wearing Apparel ...	—	114,575
Sundries ...	122,782	2,284,679
Total	244,782	2,864,397

EAST AFRICA (BRITISH)		
Articles	Imports	Exports
Chemicals & Drugs ...	58,425	—
Chinese Medicines ...	124,620	62,780
Foodstuffs & Provisions ...	693,627	—
Piece Goods & Textiles ...	150,460	—
Wearing Apparel ...	5,760	—
Sundries ...	149,726	—
Total	1,182,618	62,780

INDIA		
Articles	Imports	Exports
Building Materials ...	164,830	—
Chemicals & Drugs ...	695,449	280,348
Chinese Medicines ...	4,882,285	7,043,744
Dyeing & Tanning Materials ...	158,861	—
Foodstuffs & Provisions ...	2,119,029	1,039,605
Fuels ...	448,000	—
Hardware ...	13,400	1,029,876
Liquors, Intoxicating ...	14,958	31,248
Machinery & Engines ...	12,720	82,506
Metals ...	624,951	1,060,109
Nuts & Seeds ...	122,444	43,626
Oils & Fats ...	104,152	190,543
Paints ...	223,212	10,781
Paper & Paperware ...	34,583,688	5,100
Piece Goods & Textiles ...	1,174,907	4,498,941
Tobacco ...	5,812	—
Vehicles ...	1,750	21,956
Wearing Apparel ...	10,076,704	6,512,786
Sundries ...	—	—
Merchandise Total	55,476,152	21,851,149
Treasure	—	19,008,577
Grand Total	55,476,152	40,859,726

MALAYA (BRITISH)		
Articles	Imports	Exports
Building Materials ...	2,003,374	—
Chemicals & Drugs ...	1,243,224	1,728,349
Chinese Medicines ...	1,711,221	12,836,004
Dyeing & Tanning Materials ...	2,639,896	67,362
Foodstuffs & Provisions ...	11,596,099	35,257,767
Fuels ...	705,747	316
Hardware ...	97,143	1,782,682
Liquors, Intoxicating ...	63,270	3,482,777
Machinery & Engines ...	12,720	76,275
Manures ...	93,290	13,190
Metals ...	1,886,149	1,198,795
Minerals & Ores ...	5,675	—
Nuts & Seeds ...	5,800,320	2,421,917
Oils & Fats ...	5,748,635	569,132
Paints ...	173,315	1,346,061
Paper & Paperware ...	525,805	5,949,998
Piece Goods & Textiles ...	288,373	59,509,407
Tobacco ...	31,600	215,096
Vehicles ...	71,311	—
Wearing Apparel ...	162,680	7,554,407
Sundries ...	34,390,851	27,924,684
Merchandise Total	69,250,698	161,934,219
Treasure	—	46,000
Grand Total	69,250,698	161,980,219

NEW ZEALAND		
Articles	Imports	Exports
Chemicals & Drugs ...	19,400	—
Chinese Medicines ...	3,442	51,421
Foodstuffs & Provisions ...	58,226	76,748
Hardware ...	—	778
Liquors, Intoxicating ...	—	6,149
Nuts & Seeds ...	—	151
Oils & Fats ...	—	74,945
Sundries ...	92,406	50,823
Total	173,474	261,015

NORTH BORNEO (BRITISH)		
Articles	Imports	Exports
Building Materials ...	1,115,280	79,045
Chemicals & Drugs ...	1,712	23,957
Chinese Medicines ...	89,155	112,132
Dyeing & Tanning Materials ...	59,337	290
Foodstuffs & Provisions ...	959,072	247,349
Fuels ...	371,946	—
Hardware ...	—	19,540
Liquors, Intoxicating ...	—	305,335
Manures ...	570	—
Metals ...	20,217	223,414
Nuts & Seeds ...	68,516	17,810
Oils & Fats ...	183,622	9,369
Paints ...	—	477
Paper & Paperware ...	360	79,386
Piece Goods & Textiles ...	—	88,762
Railway Materials ...	—	2,045
Tobacco ...	—	800
Vehicles ...	500	—
Wearing Apparel ...	—	117,385
Sundries ...	244,260	508,434
Total	3,114,547	1,835,530

SOUTH AFRICA (BRITISH)		
Articles	Imports	Exports
Chemicals & Drugs ...	162,797	24,100
Chinese Medicines ...	—	189,673
Dyeing & Tanning Materials ...	28,000	—
Foodstuffs & Provisions ...	14,928	39,267
Fuels ...	25,312	—
Hardware ...	—	32
Liquors, Intoxicating ...	25,788	—
Nuts & Seeds ...	—	258
Oils & Fats ...	—	190,019
Piece Goods & Textiles ...	—	22,054
Tobacco ...	1,644	—
Wearing Apparel ...	5,110	209,161
Sundries ...	865,112	519,996
Total	1,128,691	1,194,560

WEST AFRICA (BRITISH)		
Articles	Imports	Exports
Wearing Apparel ...	—	33,174
Sundries ...	—	36,799
Total	—	69,973

WEST INDIES (BRITISH)		
Articles	Imports	Exports
Chinese Medicines ...	—	48,769
Foodstuffs & Provisions ...	—	83,915
Hardware ...	—	3,460
Liquors, Intoxicating ...	12,780	—
Nuts & Seeds ...	—	1,137
Piece Goods & Textiles ...	—	1,566
Sundries ...	—	26,832
Total	12,780	165,679

BRITISH EMPIRE, OTHER		
Articles	Imports	Exports
Building Materials ...	8,882	—
Chemicals & Drugs ...	—	6,787
Chinese Medicines ...	101,916	521,190
Foodstuffs & Provisions ...	954,765	168,384
Hardware ...	1,610	21,255
Liquors, Intoxicating ...	—	2,115
Metals ...	4,664	—
Nuts & Seeds ...	10,000	10,201
Oils & Fats ...	18,472,123	3,612
Paper & Paperware ...	—	1,335
Piece Goods & Textiles ...	16,519	21,358
Wearing Apparel ...	7,064	42,371
Sundries ...	482,740	246,604
Total	20,060,283	1,045,192

CUBA		
Articles	Imports	Exports
Chinese Medicines ...	—	5,040
Foodstuffs & Provisions ...	—	9,284
Hardware ...	—	1,930
Oils & Fats ...	—	192
Paper & Paperware ...	—	85
Piece Goods & Textiles ...	—	6,348
Sundries ...	—	98,678
Total	—	121,537

NORWAY

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	218,952.	—
Chinese Medicines ...	—	35,200
Liquors, Intoxicating ...	23,140	—
Oils & Fats ...	—	897,251
Paper & Paperware ...	10,840,259	—
Piece Goods & Textiles ...	—	10,790
Sundries ...	2,800	762,564
Total	11,085,151	1,705,805

NETHERLANDS EAST INDIES

Articles	Imports \$	Exports \$
Building Materials ...	—	1,500
Chemicals & Drugs ...	1,448	35,640
Chinese Medicines ...	171,805	359,207
Dyeing & Tanning ...	—	—
Foodstuffs & Provisions ...	105,531	—
Fuels ...	2,687,521	428,634
Hardware ...	47,500	—
Liquors, Intoxicating ...	—	73,313
Metals ...	—	241,554
Nuts & Seeds ...	31,480	37,304
Oils & Fats ...	212,885	54,088
Paints ...	42,800	8,400
Paper & Paperware ...	6,000	254,817
Piece Goods & Textiles ...	30,000	674,277
Tobacco ...	—	60,138
Vehicles ...	—	250
Wearing Apparel ...	400	1,050,725
Sundries ...	1,804,271	1,345,001
Total	5,141,641	4,587,830

PHILIPPINES

Articles	Imports \$	Exports \$
Building Materials ...	1,600	16,200
Chemicals & Drugs ...	143,843	212,108
Chinese Medicines ...	5,800	736,338
Dyeing & Tanning ...	—	—
Foodstuffs & Provisions ...	9,278	2,791
Hardware ...	3,654,172	8,868,668
Liquors, Intoxicating ...	141,237	1,844,883
Machinery & Engines ...	100,500	21,150
Manures ...	65,382	2,150
Metals ...	660	—
Nuts & Seeds ...	5,935,522	371,235
Oils & Fats ...	7,255	1,369,700
Paints ...	413,354	35,097
Paper & Paperware ...	62,640	79,781
Piece Goods & Textiles ...	336,765	—
Tobacco ...	287,776	161,961
Vehicles ...	244,536	11,200
Wearing Apparel ...	192,971	24,205
Sundries ...	319,382	240,333
Total	4,123,076	3,935,149
Total	15,983,109	17,995,589

PORTUGAL

Articles	Imports \$	Exports \$
Chinese Medicines ...	—	74,098
Liquors, Intoxicating ...	279,524	—
Nuts & Seeds ...	—	500
Piece Goods & Textiles ...	178,108	—
Sundries ...	271,025	34,620
Total	728,657	109,218

SIAM

Articles	Imports \$	Exports \$
Building Materials ...	4,127,369	62,810
Chemicals & Drugs ...	—	842,267
Chinese Medicines ...	1,077,212	2,023,879
Dyeing & Tanning ...	—	—
Foodstuffs & Provisions ...	226,405	261,004
Fuels ...	14,058,510	5,717,230
Hardware ...	1,500	290
Liquors, Intoxicating ...	9,900	662,610
Machinery & Engines ...	—	115,658
Manures ...	—	37,700
Metals ...	175,765	2,447
Nuts & Seeds ...	40,875	1,157,636
Oils & Fats ...	2,727,229	265,091
Paints ...	1,347,255	537,411
Paper & Paperware ...	—	469,601
Piece Goods & Textiles ...	—	5,348,313
Wearing Apparel ...	—	16,786,706
Sundries ...	—	4,549,589
Merchandise Total	29,387,101	45,984,125
Treasure	—	560
Grand Total	29,387,101	45,984,685

SOUTH AMERICA

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	12,000	—
Chinese Medicines ...	—	186,418
Dyeing & Tanning ...	—	—
Materials ...	44,800	—
Foodstuffs & Provisions ...	—	—
Nuts & Seeds ...	—	23,317
Piece Goods & Textiles ...	99,815	141,379
Sundries ...	29,874	79,160
Total	186,489	430,274

SWEDEN

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	47,334	—
Chinese Medicines ...	—	339,405
Foodstuffs & Provisions ...	—	—
Hardware ...	—	44,001
Machinery & Engines ...	21,746	—
Metals ...	128,856	—
Minerals & Ores ...	15,450	—
Nuts & Seeds ...	—	494,624
Oils & Fats ...	—	1,200
Paper & Paperware ...	—	1,565,271
Sundries ...	1,760,689	—
Total	2,264,252	3,120,426

SWITZERLAND

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	484,778	—
Dyeing & Tanning ...	—	—
Materials ...	2,073,133	—
Foodstuffs & Provisions ...	—	—
Machinery & Engines ...	77,650	—
Metals ...	6,165	—
Piece Goods & Textiles ...	78,013	—
Sundries ...	51,185	—
Total	1,517,363	5,114
Total	4,288,287	5,114

SPAIN

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	39,552	—
Dyeing & Tanning ...	—	—
Materials ...	69,727	—
Liquors, Intoxicating ...	46,406	—
Sundries ...	30,280	—
Total	185,965	—

U. S. A.

Articles	Imports \$	Exports \$
Building Materials ...	972,865	—
Chemicals & Drugs ...	9,516,868	63,659
Chinese Medicines ...	6,974,514	15,097,515
Dyeing & Tanning ...	—	—
Materials ...	1,389,308	204,960
Foodstuffs & Provisions ...	11,177,224	12,595,768
Hardware ...	881,980	190,048
Liquors, Intoxicating ...	1,257,290	267,465
Machinery & Engines ...	730,749	—
Manures ...	35,283	2,475
Metals ...	3,648,855	1,324,020
Minerals & Ores ...	18,743	359,218
Nuts & Seeds ...	16,279	1,598,573
Oils & Fats ...	24,578,957	30,272,803
Paints ...	1,314,479	—
Paper & Paperware ...	10,483,791	205,632
Piece Goods & Textiles ...	3,780,231	1,811,478
Tobacco ...	13,655,146	80,434
Vehicles ...	8,464,504	—
Wearing Apparel ...	3,150,059	328,946
Sundries ...	17,517,948	19,299,133
Merchandise Total	119,565,078	83,702,127
Treasure	7,333,000	45,000
Grand Total	126,898,078	83,747,127

U. S. S. R.

Articles	Imports \$	Exports \$
Chinese Medicines ...	—	70,644
Metals ...	—	4,005,000
Minerals & Ores ...	—	780,000
Total	—	4,855,644

Rubber Plantation Companies

In addition to eight rubber companies whose reports were published in our Jan. 15 issue (page 26), the following report on conditions of the Rubber Trust has been completed. Messrs. J. A. Wattie & Co., Ltd. are secretaries and managers to the estates.

THE RUBBER TRUST LIMITED

The company owns estates in Malaya, Burma and Java. It is now possible to give a reliable report on the Estates in Malaya as enough clearing up has been done for the Managers and Visiting Agent to have made a proper survey of the properties and to have submitted their recommendations. As regards Burma things are not quite so advanced, but certain information is given which may be subject to slight corrections. In Java the Company's representatives have been unable to get anywhere near the estates since the Japanese surrender, but the General Managers have staff in Java waiting for the first possible opportunity to resume control of the company's property.

Malaya

The estates owned by the Company are Bukit Sembilan, Kapayang, Senawang, Shanghai Seremban and Taiping.

Areas	1941 Acres	Destroyed during occupation Acres	1946 Acres
Mature Rubber	4,232	98	4,134
Immature Rubber	621	161	460
Lost during occupation Reserve Land, Buildings etc.	4,853	259	4,594
	610	—	610
	5,463	—	5,463

150 acres of the immature area are now mature. The Visiting Agent recommends fairly large replanting programmes on the various estates to replace rubber which is becoming uneconomical and this question is receiving the attention of the General Managers and Directors at the moment. The Company is very fortunate in that its highest yielding estate namely Bukit Sembilan has had no rubber cut out whatsoever. All estates are in production.

Machinery. Bukit Sembilan Estate will have to be completely re-equipped with a new factory, machinery, smokehouses etc., the other estates, however, have all got their factories in full running order.

Buildings. Bukit Sembilan lost three of its subordinate staff bungalows, but except for considerable looting the buildings on the other estates have survived. All the Managers bungalows need extensive repairs.

Labour. This is in very short supply and is a limiting factor in rehabilitation work and rubber production. Large numbers of the labourers were removed to Siam for forced labour by the Japanese and failed to return. Every effort is being made to recruit new labour.

Managers. Mr. K. Balfour and Mr. H. W. S. Goward who were the Managers in 1941 are back on Bukit Sembilan and Taiping estates respectively and Mr. L. S. Harland has just returned to Senawang estate. Shanghai Seremban and Kapayang estates are being managed by Mr. H. D. Furze.

(Continued on next page)

ALL OTHER COUNTRIES

Articles	Imports \$	Exports \$
Chemicals & Drugs ...	6,700	6,200
Chinese Medicines ...	—	309,854
Dyeing & Tanning ...	—	—
Materials ...	57,063	—
Foodstuffs & Provisions ...	181,019	1,183,214
Hardware ...	—	196,100
Liquors, Intoxicating ...	343,802	—
Metals ...	119,898	1,013,885
Oils & Fats ...	60,155	21,000
Paper & Paperware ...	1,739,128	—
Piece Goods & Textiles ...	—	132,244
Sundries ...	110,139	479,838
Total	2,617,904	4,242,335

General. The Company's estates in Malaya have on the whole come through the occupation very well and with the energetic steps which are being taken towards rehabilitation should soon be producing very large quantities of rubber, provided that sufficient labour becomes available.

Burma

The Company's estate in Burma is New Amherst.

Areas	Destroyed during		
	1941	occupation	1946
	Acres	Acres	Acres
Mature Rubber	1,858	nil	1,858
Immature Rubber	300	239	61
	2,158	239	1,919
Lost during occupation			239
Reserve land, buildings, etc.	77		77
	2,235		2,235

The above figures are subject to alteration as fully detailed statements have not yet been received. A large number of the old rubber trees are reported to have been damaged by indiscriminate tapping by neighbouring villagers. There has also been some damage by fire in the old rubber. This damage of course reduces the potential yield of the old areas, and it may be that some of the old rubber will have to be regarded as virtually lost. The losses in the young rubber are due to fire and also to thefts of young plants by neighbouring villagers in the early days of the occupation. A replanting programme is being considered and in the meantime more and more of the estate is being brought into production, in spite of the difficulties of getting supplies in Burma.

Machinery. The machinery was left in very poor shape by the Japanese but the necessary replacements and repairs are being made as soon as possible.

Buildings. The Manager's Bungalow and one smokehouse were completely destroyed and will have to be replaced. The other buildings are in fair condition and necessary repairs are being undertaken.

Labour. The Manager's latest report is that he has sufficient local labour and that the labourers all seem delighted that the estate is again in production.

Manager. It is with great regret that the Directors have to report the death of the previous Manager Mr. G. R. Mills in Calcutta in 1942, after escaping from Burma to India on foot. Mr. H. A. Hill has been appointed in his place and is on the estate.

General. The estate is in production and as the estate is being cleaned up further areas are being brought into tapping.

Java

The Company owns all the shares in the N.V.C.M. M.I.J. Burix whose estates are Redjodadie Tjiboele in the Residency of Tjilatjap in the southern part of Java.

Areas	1941	1946
	Acres	
Mature Rubber	838	not known.
Immature Rubber	243	" "
	1,081	

These estates are not yet in the Company's control owing to the disturbed state in Java. A further report will be issued as soon as the Directors have reliable information.

General. As a result of the abolition of extra-territoriality by the Treaty of Chungking 1943 and Proclamation No. 27 of the B.M.A. Hongkong, the Company is registered in Hongkong where its Head Office is now situated. Steps are being taken to get the shares quoted on the Hongkong Stock Exchange when it reopens.

Exchange Markets

On account of Chinese New Year holidays there were only three trading days in the week under review (Jan. 20-25). The volume of business done in gold was accordingly small and prices remained almost unchanged. Gold offerings were reported brisk but demand was ample especially by genuine investors who always come forward during Chinese holidays. Gold imports are expected to come here both from America (the backlog of Mexican gold coins for Macao) and from England.

The Chinese dollar exchange was on the whole inactive during the holiday week with most of the speculators taking a well-earned rest from their usual hectic dealings and rumour-dispensing.

Demand for T.T. New York exceeded supply and rates were consequently firm. Business was done between HK\$5.04 to 5.18. Local and South China importers were anxious to buy exchange in New York while the financial brokers apparently were neither able to collect sufficient drafts arriving here from overseas Chinese in U.S. nor to obtain large amounts from exporters' bills. Demand drafts on New York sold at around HK\$4.90 except for larger cheques when 4.95 were offered. As was previously pointed out in this column (compare issue Jan. 15, page 29) rates on the open funds US\$ market are not generally adhered to by brokers and customers.

UNOFFICIAL EXCHANGE RATES

	Hongkong in HK\$				Shanghai in CN\$			
	Gold per tael	HK\$	US\$	£	Gold per oz.	US\$	HK\$	£
January 20	334	1,180	4.80	15.40	409,000	7,100	1,450	22,000
21	337	1,280	4.80	15.40	418,000	7,100	1,500	21,700
25	337	1,280	4.78	15.40	404,000	7,000	1,450	21,500

Rubber Markets

The current London price for No. 1 ribbed smoked sheet, c.i.f. European Ports, for January to March shipments is 13½ pence per pound.

The rubber market in British Malaya quoted on January 21 the following prices: Spot, Str.\$0.414, same price for February/March shipment; no quotation for April/June. F.o.b. price Str.\$43½. The market was reported as quiet and prices steady.

The New York basic grade crude rubber price, according to Reconstruction Finance Corporation ruling, was increased as from Jan. 23 by 3½ cents to US\$0.25½ per pound.

Shanghai unofficial prices for rubber plantation shares are not easy to obtain since trading is erratic and actual sales take rarely place. The following shares are unofficially quoted by some brokers in Shanghai:

Name	approx. selling price indication in CN\$
Langkat	3,800
Anglo-Java	4,500
Ziangbe	3,400
Chemor United	600
Rubber Trust	3,300
Tebong	420

Korean Report

(By A Correspondent)

The most pressing problem in U.S.-occupied southern Korea to-day is that of agrarian reform. The future of the Korean government to a great extent depends on the solution of this question.

Three-fourths of Korea's population is engaged in agriculture. On only 17.3 per cent of the more than three million farms in 1942 the peasants till their own land; more than 80 per cent of the peasants either partially or entirely rented land or represented hired labour. Sixty-five per cent of all the cultivable land of Korea was the property of a handful of Japanese and Korean landlords who in most cases did not manage the

The Shanghai gold market was in quite a flurry capitalising on the holiday and farmers' buying spree. On New Year's Eve prices of CN\$425,000 per oz. were paid. Some hicks have paid even higher rates. The surprising thing for the gold market in Shanghai is the apparently inexhaustible demand by the people for more and more gold. It makes one wonder whether even the most ignorant country folks still keep CN\$ or now only trust in the yellow metal. After the Chinese holidays the gold rate came down but seems to have secured now the 400,000 mark.

English and Australian pound sterling purchases both in Hongkong and Shanghai were reported again. The price, therefore, was firm around HK\$15.40 in Hongkong, and CN\$22,000 in Shanghai (for £2).

Silver

Much demand for silver was noticeable in Hongkong which tended to raise the price per tael to over HK\$3.40 (approx. fineness .88 to .98), and per silver dollar abt. 88% of a tael) to \$2.82-2.85. Continued demand in Bombay and London for local silver in bars and minted, and temporary shortage in the local market, may further strengthen the rate.

The New York silver price, per fine oz., stood by the end of January between 70½ to 71 US\$ cents, against a previous New York quotation of 76 cents. The current London silver price is around 62 to 63 pence.

farms themselves but rented the land out in small lots to peasants, receiving from one-half to three fourths of the harvest in payment.

This landed class represented the main support of Japanese domination in Korea, and after the liberation of the country became the major bulwark of conservatism. Without the introduction of agrarian reform, the liquidation of the heritage of Japanese domination is meaningless.

Rural reform laws were issued March 5, 1946 by the Provisional People's Committee of Northern Korea which abolished landlords' hold over the land and the feudal rent system, and which turned over the soil of landowners to the permanent use of Korean peasants.

The agrarian question in Southern Korea is more acute than in Northern Korea.

Following the realization of the land reform in Northern Korea the U.S.-controlled Korean officials in Seoul (capital of South Korea) promised some measure of land reform which, however, so far failed to materialise.

Industrial Position

Japanese-owned industrial enterprises were either taken over by the Americans to be managed independently by the military administration—in whose ranks has appeared no small number of representatives of American firms—or have been rented to Korean businessmen. A sharp contrast exists between the situation in the American zone and the Soviet zone, where all large industrial, transport and other enterprises have been declared the property of the Korean people and were placed at the disposal of the Provisional People's Committee of Northern Korea.

The Korean press repeatedly explains that measures taken by the U.S. military administration in the field of industry aim not so much at the restoration and development of Korean economy as at creating facilities for American capital and the establishment of U.S. control over Korean economy.

By Order No. 52 issued by the military administration was created the "New Korea Joint-Stock Company." This concern took over the capital and properties of the former Japanese "Asia Construction Society" which in its time controlled a good half of Korea's entire economy. The order pointed out that the new company was created as an organ independent of the future Korean government, and that an officer of the American army is to be appointed president. All the company's shares were deposited with the American military government as it assumed the responsibility of refunding the cost of the enterprises taken over from the "Asia Construction Society."

The company was granted sweeping rights: issue of loans; development of natural resources; production of chemical goods, equipment, machinery, textile goods, food products; conduct of trade, management of lands and forest appendages; conduct of sea trade, as well as the acquisition of any property, with the right of disposal at the company's discretion.

There is no need to explain the implications of the formation of the "New Korea Company" to Korea's independence contained in the grant of such sweeping rights. The protest which the order evoked among Korean public opinion did not come as a surprise. The military administration was compelled to alter Order No. 52 to exclude that paragraph which provided for an American officer as president, and to promise that all the shares of the company would in due course be handed to the Korean government.

These changes have not altered the order in substance. A joint meeting of representatives of 23 political parties and public organizations, in its protest, charged that "Order No. 52 on the creation of the New Korea Company contradicts the declaration made by Lurch to the effect that this company was organized for the defense of Korean interests."

The newspaper Chayu Sinmun wrote: "The former Asia Society which has now been renamed 'New Korea' was an organ for the cruel exploitation of the Korean population. At present there are signs that in the future this society will serve American interests and that most of its shares will be controlled by Americans."

Report from Bangkok

Rice

The rice agreement signed by Britain, the US and Siam, which provided for the delivery of 1,200,000 tons of Siamese rice to deficit areas in the Far East by the end of May, 1947, has now been extended to the end of August 1947. According to the new agreement, the balance of 800,000 tons which is to be supplied between January and August has been reduced to 600,000 tons. Siam has already delivered 400,000 tons. It also provides for a bonus payment in sterling or dollar currency of £4 a ton, to keep local prices steady.

The Siamese Govt. announced that it intends to ration rice in Siam from Jan. 1, 1947. The daily ration will be 500 grams or about 18 ozs. The National Police will administer the rationing system, which is being instituted because the steadily rising retail price is now about 10 times the pre-war price.

The police are making a household census in Bangkok, giving each household a ration ticket. The ration stocks will be distributed by 1,250 retail shops and 30 wholesale dealers. Siam is probably the first rice-producing country to impose rationing.

Business with U.S.

From sales of metallic tin and tin concentrates to the United States abt. US\$10-12 million will be obtained by Siam during 1947. Another 1½ million US\$ will be realised by Siam from rubber sales to U.S. Tin and rubber sales are on a government to government basis.

Private American firms bought recently small lots of teak wood and sapphires.

Siam has considerable US\$ obligations to meet.

Population of Hongkong

No official estimates are obtainable at the moment about the increase of population in the Colony. The prewar census total of 1,640,000 is believed to have been exceeded during the last few months of 1946. An unofficial estimate gives the total population of the Colony at the end of last year at about 1,750,000.

The influx of Chinese from South and Central China has been considerable. Apart from the billionaire refugees, political malcontents, democrats, leftists, alleged Nanking (Wang Ching-wei) collaborationists, etc., there have come here large numbers of merchants, professional men and workers who found the stability and security of Hongkong so attractive that they preferred to leave their native places.

Census of March 1941

Nationality	Hongkong	Kowloon	Water	New Territories	Totals
American	139	257			396
British	5,542	2,440			7,982
Chinese	697,674	568,955	154,000	195,000	1,615,000
European	663	2,272			2,935
Indian	3,342	4,037			7,375
Portuguese	765	2,157			2,922
Miscellaneous	1,169	925			2,094
	709,294	581,043	154,000	195,000	1,640,000

Note:—No count was made in the New Territories. Rough estimates were: Northern District 110,000, Southern District 85,000.

The "miscellaneous" group includes many Japanese.

Building & Construction in Hongkong

Since the termination of the British Military Administration in Hongkong and the resumption of Hongkong Government, May 1, 1946 until December 31, 1946 (i.e. during 8 months) the Building Ordinance Office (Building Authority) of Government has approved the following plans for constructions and reconstructions in the Colony.

1. Reinstatements of Buildings

Chinese tenement houses	395
European style houses	40
Non-domestic premises	10

2. Repairs of Buildings

Chinese tenement houses	390
European style houses	103
Non-domestic premises	17

3. New Buildings

Chinese tenement houses	70
European style houses	24
Non-domestic premises	114

The term "non-domestic premises" includes both big structures like godowns and one storey Chinese shops.

Most of the applications submitted for approval were granted by the Building Authority. It is not known how many of the approved plans have actually been carried out by the owners of buildings or land. In many cases delay in shipment of constructional materials led to postponement of some of the bigger plans. Repairs and reinstatement works were usually, however, not handicapped by shortage of building supplies.

Siam purchased last year locomotives, pontoons and pumps from the War Assets Administration and is still buying motor vehicles in U.S. None of these items comes within the surplus property credit of ten to twelve million US\$ granted Siam for purchase of U.S. army surplus and therefore must be paid in dollars soon.

Kowloon-Canton Railway

During 1946 the Railway carried the following traffic in goods and passengers:

Passengers Carried

1946	Nos.
January-October	1,093,138
November	198,851
December	216,636
Total	1,508,625

Freight Carried

1946	Tons
January-October	175,602.5
November	10,387.25
December	11,494.00
Total	197,483.75

At present two express trains run between Kowloon and Canton, and two express trains leave Canton daily for Kowloon. The distance is covered in 4½ hours. In addition to the express trains there is one slow through service in both directions which covers the distance between Canton and Kowloon in slightly over 8 hours.

The Railway operates daily 3 local, 2 railbus and 4 goods up trains and the same number of down trains between Kowloon, the New Territories (Fanling and Lowu) and the Chinese border city of Shumchun.

CHINA PRODUCE PRICES IN NEW YORK

As on January 23, 1947

Cassia Oil, per lb. F.O.B. New York	US\$ 3.50 to 4.25
Aniseed Oil, per lb. F.O.B. New York	1.15 to 1.20
Antimony, American, 99½ percent grade in bulk of carload lots F.O.B. Texas	0.23½
Bristles, F.O.B. New York, per lb. as follows:	
Hankow, Regular Assortments	3.60/70
Chungking, Regular Assortments	2.90/95
Shanghai, Regular Assortments	2.10
Tientsin, short 55's	4.40/50
Tung Oil, in tank cars, per lb. F.O.B. New York	0.37½
Sandalwood Oil, in drums (depending on sellers quantity & quality)	18.00 to 22.00

The Purchasing Power of the Hongkong Dollar

The wholesale price index for December 1946 and for the whole year 1946 with comparisons for previous periods and years will be found below. A study of these compilations reveals that Hongkong cost of living has again decreased and the purchasing power of the H.K. dollar increased. Comparing the figures for 1941 (first half year) with the figures for December 1946 one arrives at the following conclusions:

Prices of foodstuffs at present against prices prevailing in January/June 1941 are dearer by about 250%; prices of textiles are now dearer by about 320%; prices of metals & mineral products are now dearer by about 160%; and prices for miscellaneous goods are now dearer by about 210%.

If not for considerable price increases in some textiles and especially coal and iron nails against prices prevailing in early autumn 1946, the wholesale price index would look even better and more encouraging. However, as it is, 1946 witnessed much improvement in the overall price position of the Colony with a slow but certain come-back of the H.K. dollar's purchasing power of prewar days.

In our issue of October 23, page 10, a review of the position as prevailing in September 1946 was given. Since that time foodstuff prices have very much decreased which fact is responsible for the rather optimistic picture one is able to draw from the index figures.

The aggregate index in 1941 stood at 155, and the December 1946 aggregate index amounted to 518. That means that goods which cost in 1941 HK\$100 would cost to-day about HK\$335; or one dollar of to-day buys about as much goods as 30 cents used to buy in the beginning of 1941. The depreciation of the Hongkong dollar's purchasing power amounts to approx. 235 percent.

There are seasonal price fluctuations which tend to blur the picture; however, the steady progress achieved during the past 12 months, as expressed in the very meticulous compilations of the wholesale price index for major foodstuffs and consumption goods, must be regarded as proof for the sound rehabilitation of the Colony's economy. The price fixing measures of the local Government, supervision of prices of imported non-controlled goods, the cooperation by a large number of traders, notwithstanding the profiteering and speculative activities of the many irresponsible and parasitic merchants, and the easing of export restrictions abroad combined with quick recovery of international communications, have all conspired to bring slowly back the Colony's life to a prewar standard.

INDEX NUMBERS OF WHOLESALE PRICES IN HONG KONG

The following index of wholesale prices has been constructed on the basis of declared quantities and c.i.f. values of commodities imported into the Colony; the index numbers are not "weighted"; the year 1938 has been selected as the base period as representing a normal year.

AVERAGES OF FOUR GROUPS

	1938	1st ½ year 1941	1st ½ year 1946	2nd ½ year 1946	Nov.	Dec.	Annual 1946
1. Foodstuffs	100	155.4	768.6	649.3	627.7	542.7	704.8
2. Textiles	100	138.3	818.8	719.7	622.8	578.9	769.1
3. Metals & Minerals	100	160.2	308.2	283.0	325.9	419.8	287.3
4. Miscellaneous	100	168.9	718.9	490.0	478.0	533.7	604.5

INDIVIDUAL AVERAGES

	1938	1st ½ year 1941	1st ½ year 1946	2nd ½ year 1946	Nov.	Dec.	Annual 1946
1. Foodstuffs (19 items)	100	168.8	1,056.9	784.8	616.6	690.1	920.8
Beans	100	128.1	*562.5	*540.6	*515.6	*515.6	*550.0
Beef	100	110.0	974.4	851.6	828.4	801.6	913.2
Eggs	100	160.5	413.9	384.1	Nil	Nil	399.0
Flour (wheat)	100	140.0	340.7	297.7	302.0	200.8	319.2
Saltfish	100	192.6	554.2	477.3	310.5	357.6	515.7
Fruits (fresh)	100	162.7	802.7	593.0	609.8	661.5	697.8
Lard	100	165.9	201.3	196.7	211.7	209.9	199.0
Milk (condensed)	100	129.3	*268.3	*256.1	*243.9	*243.9	*263.4
Mutton	100	132.8	878.6	637.4	758.0	378.8	758.0
Onions	100	145.2	1,043.6	900.6	855.9	964.9	972.1
Peanut Oil	100	150.0	*500.0	*500.0	*500.0	*500.0	*500.0
Pork	100	163.7	642.2	620.9	694.8	443.4	631.6
Potatoes	100	208.3	751.2	591.7	486.9	417.9	671.4
Poultry	100	197.0	Nil	612.2	Nil	Nil	612.2
Rice (broken)	100	173.4	889.5	943.7	863.9	813.8	916.6
Rice (white)	100	128.9	1,582.6	1,353.7	1,320.1	Nil	1,568.1
Surgar (raw)	100	146.3	621.6	700.2	717.4	612.6	660.9
Vegetables (dried, etc.)	100	150.0	1,750.0	1,093.6	835.8	870.5	1,421.8
Vermicelli	100	155.4	768.6	649.3	627.7	542.7	704.8
Average	100	155.4	768.6	649.3	627.7	542.7	704.8

* Index number in 1946 for Australian meat only.

	1938	1st ½ year 1941	1st ½ year 1946	2nd ½ year 1946	Nov.	Dec.	Annual 1946
2. Textiles (12 items)	100	113.8	1,524.6	1,175.4	1,227.7	1,009.2	1,349.2
Cotton Yarn	100	131.8	1,550.0	1,295.5	1,000.0	1,000.0	1,422.7
Cotton (dyed, plain)	100	119.4	688.9	1,008.3	Nil	Nil	847.2
Italians (dyed, figured, plain)	100	104.6	2,507.1	459.2	487.1	505.1	1,483.1
Shirtings, White (40/43 yards)	100	127.8	Nil	Nil	Nil	Nil	Nil
Hemp (Manila)	100	214.3	489.3	496.4	639.3	535.7	492.9
Gunny Bags	100	180.0	446.7	1,406.7	Nil	Nil	926.7
Hessian Cloth	100	115.5	593.6	656.4	566.8	456.3	625.0
Silk Piece Goods	100	172.4	223.5	410.2	Nil	Nil	317.3
Silk Yarn (artificial)	100	157.8	323.9	202.2	345.6	165.6	263.3
Blankets (wool & union)	100	93.5	186.6	361.0	326.0	531.7	274.0
Flannels	100	128.5	473.1	445.3	390.2	427.5	459.2
Suitings & Tweeds (woollen)	100	138.3	818.8	719.7	622.8	578.9	769.1
Average	100	138.3	818.8	719.7	622.8	578.9	769.1

	1938	1st ½ year 1941	1st ½ year 1946	2nd ½ year 1946	Nov.	Dec.	Annual 1946
3. Metals & Minerals (12 items)	100	187.0	Nil	269.7	Nil	475.5	269.7
Brass Sheets	100	174.8	225.9	242.2	241.3	Nil	234.0
Yellow Metal Sheathing	100	250.4	509.7	605.9	754.1	977.7	557.8
Coal	100	135.1	231.2	204.2	185.6	235.1	217.7
Iron & Steel Bars	100	144.9	302.5	422.2	337.4	842.0	362.3
Iron & Steel Nails	100	138.4	212.7	2 58.5	252.9	240.9	235.6
Iron & Steel Plates	100	146.9	459.3	249.5	Nil	147.5	354.4
Lead (pig)	100	185.7	394.3	348.6	428.6	Nil	371.4
Kerosene	100	146.5	Nil	148.6	Nil	Nil	148.6
Oil, Fuel	100	145.7	293.8	249.4	240.7	190.1	271.6
Lubricating Oil	100	98.7	206.6	182.9	236.8	Nil	194.7
Petrol	100	168.1	245.7	213.8	255.7	249.8	229.7
Tin	100	160.2	308.2	283.0	325.9	419.8	287.3
Average	100	160.2	308.2	283.0	325.9	419.8	287.3

	1938	1st ½ year 1941	1st ½ year 1946	2nd ½ year 1946	Nov.	Dec.	Annual 1946
4. Miscellaneous (15 items)	100	234.9	429.6	396.3	368.3	419.0	413.2
Cement	100	256.4	638.2	722.2	643.1	603.6	680.0
Charcoal	100	120.0	336.9	280.5	279.4	299.2	308.7
Feather (ducks)	100	223.2	737.9	726.3	644.2	652.6	732.6
Firewood	100	127.7	2,453.8	888.5	780.8	874.6	1,670.8
Hardwoods	100	95.4	303.1	299.9	326.3	367.3	301.5
Hides (cow)	100	139.7	393.0	407.7	474.8	483.8	400.4
Hides (buffalo)	100	105.5	253.6	353.4	385.2	358.6	303.5
Leather (sole)	100	116.0	443.4	433.0	477.5	452.6	438.2
Paper (Chinese)	100	128.2	1,086.8	616.3	557.6	521.6	851.6
Rattans	100	201.9	915.0	466.5	167.6	404.9	690.8
Saltpetre	100	178.7	409.3	345.4	368.0	443.3	377.3
Softwoods	100	239.4	338.5	774.7	1,038.2	1,387.6	556.6
Soda Ash	100	142.5	323.9	334.3	252.6	389.6	329.1
Sulphuric Acid	100	213.9	1,720.4	305.4	406.8	347.6	1,012.8
Sulphate of Ammonia	100	168.9	718.9	490.0	478.0	533.7	604.5
Average	100	168.9	718.9	490.0	478.0	533.7	604.5

